REMARKS

Status of this application

In the Office Action mailed on June 15, 2006, the Examiner rejected Claims 1-22 under 35 U.S.C. 103(a) as being unpatentable over Lewis et al. U.S. Patent 6,611,815 (hereinafter "Lewis") in view of Bove U.S. Patent Application Publication No. 2005/0154658 (hereinafter "Bove").

This response amends claim 3 to substitute the term "instrument" which has a proper internal antecedent in claim 3 for the term "security" which does not. Claim 15 is being amended to correct a spelling error. Claims 4-5, 12-13, and 19-22 have been amended by this response to affirmatively state that shares may be purchased or redeemed at a periodically published stated monetary price per share .

This response further requests reconsideration of the foregoing "obviousness" rejection for the reasons given below.

Overview of this Response

In rejecting claims 1-13 and 14-22, the Examiner suggests that Lewis anticipates the invention defined by these claims with one exception: the Examiner agrees that Lewis does not teach that the instrument specifies the amount and payment date of each of the future annuity payments at the time the instrument is created as required by the claims. The Examiner suggests that it would have been obvious to modify Lewis' deferred annuity plan to initially define the amounts and times of the future periodic annuity payments as is commonly done with bonds (e.g. Fixed Rate Treasuries), citing Bove.

In the remarks that follow, it will be explained why a knowledge of bonds would not make it obvious to modify Lewis' deferred annuity plans in order to entitle the holder to receive periodic future annuity payments of specified amounts at specified times as claimed. Applicants will also discuss why bonds, such as the Fixed Rate Treasuries suggested by the Examiner, do not entitle the holder to payments of the kind specified by the claims, so that even if Lewis' deferred annuity contracts were modified in some fashion to incorporate bond-like obligations as

suggested by the Examiner, the result would differ from the investment products defined by applicants' claims.

In addition, applicants will again point out that Lewis' deferred annuity contracts differ from the subject matter defined by the claims in several ways other than the single difference which has been acknowledge by the Examiner, and point out why these additional differences constitute still further reasons why the pending claims deserve to be allowed.

It would not have been obvious to modify Lewis' deferred annuity plan by substituting bond repayments for the fixed annuity payments Lewis offers

As noted by the Examiner, the Lewis deferred annuity contracts, when initially purchased, do not specify either the time when the future annuity payments will be made, nor do they specify the amount of the payments. As the Examiner points out, however, conventional investment products exist which entitle the holder to receive a sequence of future payments of specified amounts and at specified times. For example, Treasury Bonds as issued specify that the bondholder will be entitled to receive interest payments at specific intervals, culminating in the repayment of the principal amount at a specified maturity date.

Although bonds often provide future periodic interest payments in fixed amounts specified at the time of purchase, that fact does not suggest that it would have been obvious to modify Lewis' deferred annuities so that the annuity payment amounts would be specified at the time of purchase rather than at the time of annuitization. There are a number of reasons, detailed below, why one skilled in the art would not consider substituting bond-style fixed interest payments for the deferred annuity payments disclosed by Lewis.

(1) Bonds of the type relied upon by the Examiner, such as Treasury Bonds, make periodic interest payments that begin at the time the bonds are purchased and continue until a specified maturity when the principal is repaid. But a bond's early payout schedule does not meet the needs of retirees who invest in deferred annuities of the type described by Lewis which provide no payment during the investor's earning years and permit the payout to be deferred until after the investor retires and elects the annuity benefit (see Lewis at col. 1, lines 35 to 40). One skilled in the art would not consider substituting the immediate payout provided by bonds for the deferred payout offered by Lewis.

(2) Deferred annuities as offered by Lewis are designed to meet an investor's retirement needs and typically make benefit payments for the life of the annuitant, or the life of the annuitant and his or her survivor. In contrast, bonds make fixed payments on or before a stated maturity date, and do not meet the needs of investors who need an income for life. One skilled in the art would not consider substituting the fixed duration payout schedule provided by bonds for Lewis deferred annuity plan that offers benefit payments for the life of the holder.

(3) Lewis already offers an immediate annuity option which the contract holder can elect and which provides fixed annuity benefit payments at definite times beginning at the time of annuitization (see Lewis, col. 2, lines 46-52). One skilled in the art would have no reason to substitute an option to obtain less flexible bond payments for the option to obtain an immediate annuity benefit already provided by Lewis, since the existing immediate annuity option already provides a fixed return at fixed times (although not in amounts and at times specifed in the contract when created). Moreover, even if bonds were substituted for Lewis's fixed immediate annuity, the amount and times of the benefit payments which the bonds are to return would not be specified when the original contract was purchased but, like Lewis immediate annuity option, would only become known when the account value is applied to the bond purchase at a time elected by the contract holder.

(4) The stated objective of the Lewis invention is to provide a hybrid contract that "seamlessly joins" deferred annuities with a systematic withdrawal program. Lewis provides lifetime annuity payments by allowing the contract holder to make "systematic withdrawals of principal and interest over a number of years and, after systematic withdrawals have exhausted the account value, continue periodic payment for the remaining life of the annuitant" (Lewis, col. 4, lines 24-33). Given Lewis' goal of providing the contract holder with more choices in the ways benefits are taken, one skilled in the art would have no reason to consider substituting an inflexible bond repayment mechanism for the benefit withdrawal mechanism Lewis desires.

(5) Investors can purchase both federal and municipal government bonds directly from a variety of sources such as brokerages or banks. Treasury Bonds, which pay interest every six months until they mature when they pay the bond's face amount, can be purchased directly from the U.S. Treasury's website at *www.savingsbonds.gov.* One skilled in the art would have no reason to repackage the benefits already provided by Treasury Bonds in another form, and consumers would have no incentive to purchase such a product (necessarily at extra cost) when same benefits can be purchased directly from the Government.

For at least the reasons detailed above, one skilled in art would not be motivated to alter the Lewis deferred annuity contracts to substitute bond-like repayment mechanisms as proposed by the Examiner. As stated in Section 2143.01 of the M.P.E.P.: "*If a proposed modification would render the prior art invention being modified unsatisfactory for its intended purpose, then there is no suggestion or motivation to make the proposed modification,*" citing *In re Gordon*, 733 F.2d 900, 221 USPQ 1125 (Fed. Cir. 1984).

It is submitted that the combined teachings of Lewis and Gore fail to satisfy the basic requirements needed to establish a prima facie case of obviousness as stated in M.P.E.P. §2143:

> *"To establish a prima facie case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations.*
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> *The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, and not based on applicant's disclosure. In re Vaeck, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991)."*

As explained above, nothing disclosed in either Lewis or Gore provides a suggestion or motivation that would lead one of ordinary skill to modify the Lewis deferred annuity plan in the manner suggested by the Examiner. While one of ordinary skill would have knowledge of the repayment mechanisms offered by bonds, that "generally available" knowledge would not motivate anyone to substitute a bond-like fixed repayment plan for the immediate annuity option offered by Lewis. And finally, as next discussed in detail, neither Lewis, nor Gore. nor the

knowledge of bonds generally, when combined teach or suggest numerous features of applicant's invention that are set forth in the claims as now presented.

If the Lewis deferred annuity contracts were defined to incorporate bond-style definite payments, the resulting contracts would differ from the subject matter defined by applicants' claims

The Examiner, after noting that bonds as issued provide specified payments at specified times, states that it therefore would have been obvious to one of ordinary skill in the art to initially create a definite amount of payment for a bond at the time the instrument is created as disclosed by Bove.

It is not clear from the Examiner's statement how Lewis' deferred annuity contract is proposed to be modified to incorporate bond payments. There are several possibilities, but none of them would result in an instrument of the kind claimed by applicants.

If the contract as a whole operated like a bond, it would simply provide periodic interest payments after being purchased until the date of maturity, and then pay off the principal. But such conventional bond obligations would not provide the contract holder with the option, exercisable at future maturity date, to obtain either a lump sum or to obtain specified annuity payments as claimed.

If the contract operated more like the Lewis deferred annuity, but gave the contract holder the right to apply the account value to the purchase of bonds (rather than to purchase an immediate annuity), the result would differ from the claimed invention because the principal amount available to purchase bonds, and the current interest rate, at the time the bonds were purchased at a future date, and hence interest payments and the principal to be repaid, would not be known until the time the bonds are purchased, so that the resulting modified system would differ from applicants' claimed invention in the same ways that Lewis' disclosed deferred annuity contract differs – the actual benefit payments would not become known until the account value was applied to the bond purchase.

If it proposed that the Lewis contract be modified to so that the contract holder has a right, at a future date, to apply the account value (whatever it might be) to the purchase of bonds which will have a guaranteed future payout specified in the original contract, then many other

aspects of the Lewis contract will need to change as well. The Lewis contract will need to guarantee an interest rate on the account value which stays the same continuously until the date of the bond purchase, because periodically resetting the interest rate as taught by Lewis to correlate to investment yields available to the insurer in the capital markets (col. 2, lines 4-8) will result in an unpredictable account value at the time of bond purchase and hence result in an unpredictable benefit payment amount when the bond principal is repaid. In addition, the Lewis contract will no longer pay the contract holder a lifetime income, as needed to fund retirement, since bonds make periodic interest payments and then repay the principal at maturity rather than paying an income for life as Lewis' purchased immediate annuity would do. Still further, if the contract holder is to receive a payout of predetermined bond interest and a final repayment of the principal, there will be no available mechanism for paying the bondholder after the principal and interest payments have exhausted the account vale, with the result that the contract holder will outlive the retirement income provided, a result clearly seeks to avoid as taught at col. 4, lines 1-20. While the holder, acting on her own, could reconvert the principal received at the bond's maturity date into an interest-paying or annuity instrument, the rate of income would not be stated in the original contract and would not be known until the time of conversion.

It is accordingly submitted that knowledge of the way bonds work (yielding definite repayment amounts at definite times specified when the bond is created) would not make it obvious to modify Lewis' disclosed deferred annuity contract in any fashion. For at least the reasons explained above, making the amount and times of the future annuity payments definite at the time the contract is created (instead of at the future time of annuitization as Lewis teaches) would significantly impact the nature and operation of the Lewis contract, and one skilled in the art would have no reason (absent hindsight knowledge of applicants' teaching) to make such a modification.

The obviousness rejection of all of the claims based on the proposed modification of Lewis in view of bonds which pay fixed periodic interest payments followed by the repayment of the principal should be withdrawn.

Other claimed features not disclosed or suggested by either Lewis or Gore

As discussed above, and as the Examiner agrees, Lewis does not teach that the optional future annuity payments, as set forth in all of applicants' claims, are fixed in amount and in the

time of payment at the time the instrument is created. The remarks that follow identify other claimed features of applicants' invention which are also NOT disclosed by Lewis.

Claims 1-9: security". Claims 1 and 2 both specify the creation of a "security." The term "security" as used in claims 1 and 2 is defined on page 8 of applicants' specification to have the meaning specified with precision in the Uniform Commercial Code as restated in the definition provided by applicants' specification. Independent claim 3 and its dependent claims 4-9 define the steps of creating an investment fund or general account and creating a written instrument that represents a number of units or shares constituting a claim agains or being secured by said investment fund or general account. Lewis' deferred annuity contracts are not securities nor do they take the form of a written instrument which represents a number of units or shares owned by the holder of the instrument, each of the units or shares constituting a claim against or being secured by the investment fund or general account. The Lewis contracts thus do not have the defined attributes of securities, nore do they provide the numerous advantages of securities which are explained in applicants' specification. As noted at page 5 of applicants' specification, the securitization of the instrument provides significant advantages, such as standardization, fungibility, transferability, and the preservation of the 'anonymity' of the holder until exercise. The Examiner cites no teaching which would substantiate the conclusion that Lewis teaches the creation and management of "securities."

Claims 1-22: "maturity date". All of the claims set forth the issuance of an investment product that specifies a future maturity date upon which the holder will be entitled to receive a lump sum payment or alternatively, at the option of the holder, to instead receive a sequence of annuity payments in amounts and at times that are specified in the issued instrument. When a purchaser buys an investment product of the type set forth in all of applicant's claims, that product as issued specifies a future maturity date, specifies a lump sum payment which the holder will be entitled to receive at that maturity date, further specifies the amounts and payment times of annuity payments which the holder will be entitled to receive beginning at the specified maturity date (typically, $1 per share paid monthly for life, beginning at the stated maturity date).

As pointed out in prior responses, it is again respectfully submitted that Lewis' annuity contracts as issued do not specify at the time of purchase a maturity date when the future lump sum or annuity payments are to be made because, under Lewis' contracts, payments do not begin until a time of the contract holder's choosing if and when the holder elects to make withdrawals

or choose an annuity benefit. Surrender and annuity payments thus occur at a time chosen by the contract holder and not on a maturity date specified in the annuity contract as claimed. The Examiner's attention is directed to column 3, lines 53-67 *et seq.* where Lewis explains why holders of deferred annuities typically choose not to annuitize their contracts but instead maintain the account in its active accumulation phase in order to preserve a death benefit as well as the ability to withdraw amounts greater than the fixed annuity benefits should that become desirable. The Lewis contracts thus do not specify a future maturity date when the holder will be entitled to receive either a lump sum amount or to receive annuity payments of specified amounts at specified times.

The requirement that the investment instrument must specify the time of payment for both the future lump sum amount payable at the maturity date, and the times when alternative future annuity payments are made, is expressly set forth in all of applicant's claims. It should also be observed that the "maturity date" specified in applicants' claims is the date when payments begin whereas the payments made by interest bearing bonds end at the stated maturity date.

At page 3 of the outstanding action, the Examiner cites Lewis at col. 1, lines 34-45 and col. 2, lines 39-52 in support of the statement that Lewis teaches a security the entitles the holder to receive either a lump sum or specified annuity payments at one or more future maturity dates as specified by claim 1. The cited passage in col. 1 merely says that the annuity benefit option, if and when chosen by the contract holder, will then provide the holder with a guaranteed number of annuity payments, or that the total payments will at least match the purchase price – but the passage says nothing about establishing a maturity date when the contract holder can exercise the option. The passage at col. 2, lines 39-53 discusses contract provisions which enable the holder to exercise an option at any time to apply the current account value to the purchase of an immediate annuity, but says nothing about establishing a maturity date when that is to occur.

Claims 3-13 and 17-22: unitized and denominated future income. Each of these seventeen laims is directed to an important novel feature of applicants' invention wherein the instrument, as issued, not only specifies the amounts and times at which the future annuity payment will be made beginning at maturity, but also defines that payout as a single monetary unit of a specified currency payable at specified calendar intervals (for example: "$1/month for

life"). By expressing the future income in this simple unitized, denominated way, it becomes obvious to the purchaser how to trade off current consumption versus future consumption, the reporting of the future payout to the investor is simplified, and the investor can make informed savings vs. consumption decisions without having to consult a financial planning calculator.

At page 6 of the outstanding action, the Examiner cites the passages of Lewis at col. 6, lines 60-63 and col. 5, lines 40-45, and col. 10, lines 33-55. But all of these passages merely describe illustrative examples of payouts that might occur under the Lewis contracts, and none discloses or suggests that the instrument, as issued, specifies the amount and times of the future annuity payments in terms of a single monetary unit of a specified currency payable at specified calendar intervals as claimed. As applicant has noted at some length in this and prior responses, Lewis does not specify (in any way) the amounts and times of the future annuity payments in the contract as issued, as the Examiner has now conceded. There is no suggestion in Lewis that the amounts and times of the future income payments should be expressed in terms of a single monetary unit of a specified currency payable at specified calendar intervals, and no indication that Lewis recognizes that by doing this, the investor can much more easily understand the exactly how each share purchased will affect his or her guaranteed retirement income. Lewis teaches nothing remotely like this.

Claims 4-5, 12-13, and 19-22: liquidity. As stated in these eight claims as amended, the liquidity of applicants' investment product is assured by publishing or otherwise periodically reporting the stated current monetary value of the units or shares at which these shared may be either purchased or redeemed. As noted in applicants' specification (for example, see page 3), conventional deferred annuity contracts like Lewis' contract are not liquid and may only be exchanged for a sum which is aptly named the contract's "surrender value." In applicants' method as set forth in claims 4-5, 12-13 and 19-22, units or shares may be both purchased and redeemed for a stated current monetary value per unit or share that is periodically published, reported or revealed by the issuer of said instrument.

Lewis states (at col. 12, lines 45-49) that the annuity contract may provide a cash surrender value which upon surrender of the contract makes a lump sum payment to the owner equal to the account value at that time, perhaps reduced by a surrender charge, and further states (at col. 12, lines 37-41) that the account value can be reported to the owner through periodic reports or upon request, and may be available for withdrawal or surrender. But while Lewis

allows the contract holders to "see their money" by periodically reporting death and withdrawal benefits, Lewis makes no attempt to the investment liquid by establishing a published current monetary value per share and then permitting purchasers to buy more shares, or to redeem shares previously purchased, at this published price.

Conclusion

The Examiner's continuing effort to expedite the disposition of this application in view of its long pendency is appreciated. After an examination process which has already involved three separate searches and an appeal that resulted in a withdrawal of an earlier rejection, it is now time to promptly allow this application for the reasons presented above.

Respectfully submitted,

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